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Policy paper 4: Urban governance, capacity and institutional development*

Note by the secretariat

The secretariat of the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) hereby transmits a policy paper entitled "Urban governance, capacity and institutional development", prepared by the members of Policy Unit 4.

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Policy paper 4: Urban governance, capacity and institutional development

Executive summary

Since the Habitat II Conference in 1996, the wider context of urban development has changed considerably and many urban challenges have become more pronounced and evident. The globalization of economies and value systems, population growth and rapid urbanization, the threat of climate change and environmental degradation, increasing inequalities, global migration, global health risks and the impact of new technologies have all been reshaping the challenges facing the governance of cities and their societies. This Habitat III policy paper focuses on urban governance, capacity and institutional development and identifies the following 10 key messages based on aspirations for the right to the city, sustainable and equitable development and territorial equity:

By and large, urban governance frameworks and institutions in most countries need to evolve to face critical challenges. Urban governance systems in most countries are currently not fit for purpose and need critical reforms to enable sustainable urban development. These reforms will have to go beyond sectoral policies and consider cooperation between different spheres of government and non-State actors, fostering a balanced distribution of powers, capacities and resources including the revision of legislative, regulatory and fiscal frameworks.

In many countries, existing institutional frameworks prevent urban governments from fully delivering on their responsibilities. Inadequate decentralization, lack of resources, insufficient capacity and poor frameworks for engagement with civil society and key stakeholders weaken urban governance. Many countries suffer from ill-defined distributions of responsibilities between different levels of governments, leading to the duplication of roles and blind spots. Such ineffective multilevel governance systems compromise planning processes, risk backlogs in budget spending, incur higher transaction costs and create wider economic inefficiencies, as well as compromising transparency and accountability.

Cities and urban societies continue to suffer from an imbalance of political power and insufficient inclusiveness and participation. Collective decision-making has so far failed to address the gap between broader, typically national developmental agendas and inhabitants' needs on the ground. While representative democracy is an important vehicle to allow citizens to exercise their rights, more participatory processes suffer from structural constraints. Women, youth, ethnic minorities, the urban poor and other disadvantaged groups such as people with disabilities are still side-lined in decision-making processes. Inequalities, insufficient access to basic services, lack of decent housing, job insecurity and informality are shaping spatially fragmented and socially segmented cities. The demands of inhabitants need more participatory spaces to avoid increasing social tensions and discontent with political systems.

The expansion of metropolitan areas and the growing gap between these and intermediary cities pose additional challenges to urban and national governance. The growth of large metropolitan areas — e.g. metropolises, megacities, urban regions and corridors — is reshaping the urban landscape, raising new challenges for the management of metropolitan areas. Weak metropolitan

governance undermines development potentialities and the attractiveness of metropolitan areas as cornerstones of national development. At the same time, the lack or the inadequacy of policies for intermediary cities, particularly in developing countries (who will host most of the urban growth in the coming years), prevents the creation of a strong system of cities and a balanced regional socioeconomic development.

Above all, new urban governance should be democratic, inclusive, multi-scale and multilevel. Effective multilevel governance needs to be the result of a broad consultative process, built around mechanisms for vertical and horizontal integration. Vertical integration involves collaboration between national, regional and local government (and ultimately supranational institutions). Horizontal integration involves collaboration between sectoral ministries and departments, municipalities and public institutions at the same governance level. In addition, and recognizing urban complexity, diversity and local context, multilevel governance should include collaboration between governmental and non-governmental actors, above all civil society actors and the private sector. Integration at all levels will increasingly benefit from digitalization and be facilitated by a shift towards digital era governance.

New urban governance requires robust national urban and territorial policies. National urban governance frameworks need to enable effective multilevel governance through clear legal and institutional structures, based on the principles of subsidiarity and decentralization (respect for local self-government, clear sharing of powers and responsibilities, etc.), an adequate intergovernmental allocation of financial resources, and empowerment of citizens. Ensuring a better allocation of national resources to subnational governments needs to be coupled with equalization mechanisms to reduce inequalities between regions, metropolitan areas and intermediary cities, with the aim of building synergies and complementarities between cities and territories.

Local and subnational governments anchor new urban governance on the ground and play a pivotal role in implementing the New Urban Agenda. Strong and capable local governments are the key levers to ensure inclusive and sustainable urban development, with accountable urban governance systems and balanced multi-stakeholder involvement. The models of urban governance for the twenty-first century need empowered local governments employing professional staff. Inter-municipal cooperation, including between urban and rural municipalities, should be facilitated through adequate incentives to create economies of scale and integration. Decentralization on the one hand empowers and on the other hand obliges. Increased responsibilities and duties to local governments demand openness and transparency but also accountability and responsibility.

Strong metropolitan governance is a key component of new urban governance. National Governments should enable metropolitan governance, ensuring the involvement of both local and regional governments in the reform process. As there is no one-size-fits-all solution, different models could be established within the same country in order to respond to the specific needs of different metropolitan regions. Most importantly, providing metropolitan regions with authority over critical metropolitan concerns (which may be context specific while tending to have a strong focus on spatial governance) requires democratic

legitimacy, legal frameworks and reliable financing mechanisms for metropolitan governance.

A buoyant and participative civil society involves clear recognition of citizens' rights. Formal participation procedures should be complemented by collaborative partnerships which go beyond consultation of policies/interventions, recognizing civil society groups as active "partners" in new urban governance. Innovative and effective participation tools should be adopted to foster meaningful engagement and emancipation of all inhabitants, bringing social justice, liveability and democratic governance to the process of urban transformation. Alongside an active participatory democracy, transparency and accountability are the key pillars for new urban governance.

Capacity-building for urban governance needs to be accelerated. Improving differentiated capacities linked to urban governance needs to take into account institutional capacities, the technical and professional skills of individuals as well as local leadership skills. Building capacities related to urban planning, budgeting, public asset management, digital era governance, data gathering and engaging with other stakeholders are of particular urgency. Capacity-building actions need to go beyond conventional training and stimulate learning in the short, medium and long term.

I. Vision and framework of the policy paper's contribution to the New Urban Agenda

1. Successful implementation of the New Urban Agenda will depend on appropriate, democratic, efficient and inclusive urban governance and institutional frameworks. The New Urban Agenda should build on the legitimacy of the Istanbul Declaration, in which Member States recognized that local authorities are key partners in urban governance, as well as acknowledging the role of civil society and the private sector.[1] At the same time, the New Urban Agenda should be closely linked to the 2030 Agenda,[2] the Paris Agreement on Climate Change[3] and the Addis Ababa Agenda on Financing for Development.[4] Urban governance will need to undergo a deep transformation to achieve these global agendas, all of which converge in our cities and territories.

A. Towards a new urban governance[5]

2. Urban governance consists of a set of institutions, guidelines, regulatory and management mechanisms in which local governments[6] are key, but not exclusive, components.

3. Our cities and their surroundings require a new urban governance based on open decision-making, with the active participation of local stakeholders and with the aim of defining the best policies for the common good. In terms of political

[1] The Habitat Agenda — Istanbul Declaration on Human Settlements, para. 12, recognizes "local authorities as our closest partners, and as essential, in the implementation of the Habitat Agenda". The full text of the Habitat Agenda also pointed out that it is "they, local authorities and other interested parties, who are on the front line in achieving the goals of Habitat II" (para. 56).

[2] United Nations (2015a).

[3] United Nations Framework Convention on Climate Change (2015).

[4] United Nations (2015b).

[5] "Governance refers to the process whereby elements in society wield power and authority, and influence and enact policies and decisions concerning public life, and economic and social development. Governance is a broader notion than government. Governance involves interaction between these formal institutions and those of civil society." (The Governance Working Group of the International Institute of Administrative Sciences 1996).

[6] In this document, the term "local governments" refers to all subnational governments except those of the highest tier in federal countries (state, provinces, Lander), with some exceptions. For example, when federal governments have the city governance responsibility (e.g. Berlin, Brussels, Mexico City, Buenos Aires, etc.) they are considered local governments. Countries could have different tiers of subnational governments (one, two, three or even more levels). In general, the first tier, the level closest to the inhabitants, are city councils, municipalities, communes, Gemeinden, districts, townships, metropolitan districts, etc. Some countries even have a level below municipalities or city councils (boroughs, arrondissements, parroquias). The United States of America, for example, also has special districts with specific responsibilities and powers (e.g. schools districts). The second tier is designated in general as counties (e.g. United Kingdom of Great Britain and Northern Ireland); departments (e.g. in France or Colombia), provinces (e.g. Spain); (Landkreise in Germany, or Rayons in Russia). The third tier consists of regions (e.g. Peru or France). Big urban areas could be managed by one city council (Johannesburg) or by many municipalities (Sao Paulo, New York), by governments merged into the second or third tiers (of Mexico City or Buenos Aires); or governments operating across tiers: Paris is a municipality (first tier) but also a department (second tier); Berlin is a municipality and a Land. The Greater Authority of London is considered a second-tier government.

process, its implementation should combine representative democracy, based on the regular election of local authorities, and participatory democracy, ensuring the involvement of all at the local level.

4. This requires an effective system of multilevel governance,[7] with well-defined spheres of government (national, regional and local) based on appropriate decentralization policies that aim to construct a balanced and collaborative system of well-managed cities and improved urban-rural linkages so that no city or territory is left behind.[8]

5. In times of uncertainty and change, informed, flexible, innovative, forward-looking governance, open to continuous learning, is needed to develop intelligent governance. Currently, global public health problems, the impacts of climate change and inequalities are increasing the vulnerability of cities. Many cities are home to youth booms or vulnerable ageing populations and many are experiencing unprecedented migration flows as a consequence of the democratic transition. Profound transformations will be required in the pattern of production and consumption, methods of public participation and involvement of citizens in public policy if all these challenges are to be faced. New urban governance will depend on capacity-building for all spheres of government, particularly municipal authorities.

6. Finally, the complexities and specificities of the various urban scales should be recognized. Small towns, intermediary cities and urban agglomerations require complex and multisectoral forms of metropolitan governance.

B. Goals of a new urban governance

7. A new urban governance will need to respond to the call for the exercise of the right to the city as a strategic approach to combat exclusion. This involves the redistribution of material, social, political and cultural resources, based on the principles of democracy, equality, inclusiveness and recognition of diversity. The right to the city nurtures tolerance and peaceful coexistence while guaranteeing equal access and protection of common goods, including land use. It also seeks the far-reaching participation of all relevant actors in decision-making.

8. A new urban governance should also promote sustainable and equitable development that prevents the depletion of natural resources and addresses environmental challenges. It should foster a new economy[9] that values social

[7] The term "multilevel governance" was first used by Marks (1993) to refer to European policymaking. Today, the concept is used in a wider, global context to call for "transformation in the distribution of authority on grounds of efficiency", even within the context of global governance (Stephenson 2013). In this paper, multilevel governance is understood as a "decision-making system to define and implement public policies produced by a collaborative relation either vertical (between different levels of government, including national, federal, regional or local) or horizontal (within the same level, e.g. between ministries or between local governments) or both. It also includes the partnership with actors from civil society and private sector for the achievement of common goals. In order to be effective, multilevel governance should be rooted in the principle of subsidiarity, the respect for local autonomy and establish mechanisms of trust and structured dialogue" (Issue paper on urban governance).

[8] Organization for Economic Cooperation and Development (OECD) (2013b).

[9] United Nations Environment Programme (2011); The Global Commission on the Economy and Climate (2014).

emancipation and achievements above profit, where work is a means to enhance human dignity and inclusion.

9. Finally, a new urban governance should facilitate territorial equity by linking up cities and rural areas and ensuring access to services for all based on the principle of spatial equality.

C. Characteristics of a new urban governance

10. **Democratic and inclusive**. This implies guaranteeing the right to participate in the development of cities and their surroundings for all stakeholders, with special attention given to vulnerable groups. It also implies ensuring access to technologies to enhance service provision and participation.

11. **Long-term and integrated**. New urban governance should allow for long-term public policies, beyond terms of office. It should also foster comprehensive public policies that involve the whole territory in a systemic and intelligent way.

12. **Multi-scale and multilevel**. New urban governance requires coordination between different levels of government[10] and sectors of society, so that challenges that arise in cities can be faced efficiently.

13. **Territorial**. Urban areas are not only the place where the majority of the population lives; they are embedded in territories where the built environment meets the natural environment. In a new urban governance, cities must be seen and understood as a system of relationships between urban and rural areas operating as an urban ecosystem.

14. **Proficient**. Institutions and individuals should have the necessary skills to implement relevant public policies in a responsive and realistic way.

15. **Conscious of the digital age**. New technological developments can assist local authorities in crafting more transparent, accountable, participatory and responsive governance systems. Digital era governance[11] may also equip citizens and businesses with the ability to push for changes in society in a bottom-up fashion that might lead to a fundamental change in our economies.[12]

II. Policy challenges

16. Since the Habitat II Conference in 1996, the framework conditions for urban development have changed significantly. The globalization of economies and value systems, population growth and rapid urbanization, the threat of climate change, increasing inequalities, global migration and the impact of new technologies have all been reshaping the challenges facing the governance of cities and societies.

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[10] While the term "levels of government" is used in this document, it does not imply that any one level of government is superior to another.

[11] Dunleavy and Margetts (2010).

[12] See Rifkin (2015: 18): "Markets are beginning to give way to networks, ownership is becoming less important than access, the pursuit of self-interest is being tempered by the pull of collaborative interests, and the traditional dream of rags to riches is being supplanted by a new dream of a sustainable quality of life".

17. Over the past few years and in a majority of regions, we have witnessed a trend towards decreasing turnout in national and local elections combined with rising civil society discontent with political systems and public institutions. There have been popular outbreaks in many cities of the world, reflecting growing demands by citizens for more equity and democracy and highlighting the key policy challenges facing future urban governance.

A. Increasing complexity of urban governance

18. Due to the increasing complexity of our societies, urban governance is increasingly shaped by multilevel systems and multi-stakeholder interactions.

19. Current urbanization trends and urban changes are influencing development dynamics on a global scale, posing unprecedented challenges for urban governance.[13] An acknowledgement of the increasing complexity of urban systems has led to the recognition that urban governance needs to adopt a more integrated approach in order to respond to current and future challenges.[14] A new concept of urban governance has to grasp the issue of integrating different levels of government and a wide range of participating actors — formally or informally — in policy formulation and implementation.

20. Any general agenda for reforming urban governance also needs to acknowledge the challenges associated with the diversity of local conditions and new urban forms, taking both the opportunities that urbanization offers and its adverse effects into consideration. The coexistence of metropolitan areas, intermediary cities, small towns, rapidly growing cities and shrinking cities calls for a differentiated policy approach. Even though national definitions of threshold size vary widely, urban policy (at the national level) is confronted with the challenging task of having to adapt policies to specific urban characteristics, while reducing inequalities between different urban areas and regions (different in terms of poverty, demographic issues, infrastructure, etc.).

21. A balanced and well-managed system of cities calls for strategies that include coherent long-term and cross-sector national urban and regional/territorial[15] policies that provide adequate support and coordination within and between different levels of government and ensure the efficient use of resources.

B. Absent or inadequate decentralization

22. In the past 30 years, more than 100 countries have created local government systems, with local authorities elected through regular democratic elections in order to anchor democracy at the local level, improve service delivery and respond to local communities' demands.

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[13] Burdett et al. (2014).

[14] Rode et al. (2008).

[15] In this paper, "territorial" policies or "territorial strategies" refer to the policies related to regional planning. Regional planning address region-wide environmental, social, and economic issues — including efficient placement of land-use activities, infrastructure, and settlement growth — that will encompass more than one state, province or region.

23. However, the implementation of these reforms has been varied and complex. In some countries local governments have great autonomy and accountability: they are responsible for the widespread provision of basic services and are able to raise revenues and expenditures which represent a significant share of total government spending (averaging 24 per cent in Europe). However, since the global financial and economic crises, local governments have faced budget constraints and have struggled to renew infrastructures in order to adapt to structural changes (e.g. ageing populations and climate change). In other countries, where basic service provision is still lacking, local governments typically have limited powers and resources and lack professional staff and revenue raising capacities. Their budgets are small in both absolute and relative terms (e.g. less than 10 per cent of central government expenditure in a majority of countries in sub-Saharan Africa).[16]

24. Ineffective decentralization processes can result in weak multilevel governance, inadequate planning processes, economic inefficiencies, backlogs in budget spend and higher transaction costs.

C. Ineffective legal and institutional frameworks

25. In many countries the potential of local governments as key levers of urban governance remains unexploited due to a chronic weakness stemming from an ineffective legal and institutional framework.

26. Only a limited number of countries have developed and implemented comprehensive and coherent national urban policies in the last 10 years.[17] Often, national legal and institutional frameworks are not adequately adapted to the specific contexts of urban areas and the capacity of subnational governments. There is often a disconnect between legal, administrative and fiscal frames, a lack of clarity in the distribution of responsibilities between different levels of government, and regulations that are frequently contradictory. In addition, these frameworks are often too rigid to react to the rapidly changing situations and dynamics of urbanization.

27. Urban planning and land regulation, for example, are critical areas for urban governance.[18] In many countries current legal and institutional frameworks do not allow national or local governments to respond adequately to the growing speculation in land and housing. The weakening of land-use and social housing policies in recent decades has diminished the access of the poor to decent housing, increasing urban social segmentation and the development of slums in developing countries. Informal settlements, insecure tenure and eviction continue to be a critical dimension affecting nearly 1 billion people globally. This situation will continue and grow over the coming decades unless adequate policies are implemented and local governments are empowered and capacitated to improve land and housing management, ensure the enforcement of land regulations and contribute to integrating informal settlements (and customary land management systems) into the urban planning and management of urban areas.[19]

[16] United Cities and Local Governments (UCLG) (2014b).
[17] Dodson et al. (2015).
[18] LSE Cities et al. (2015).
[19] Parnell and Oldfield (2014).

28. Inter-municipal cooperation (the development of partnerships and cooperation between neighbouring municipalities), could reduce institutional fragmentation, enhance the synergies of agglomeration economies and foster coherence and coordination within and between municipalities (e.g. for service delivery, planning, etc.). It is well entrenched in Europe and increasingly in other regions, for example in Latin America, but it is not always recognized or facilitated in many other regions. In many countries, legal frameworks and national policies hamper cooperation between neighbouring cities and between cities and their hinterlands, reducing the strength of urban-rural linkages.[20]

29. Good-quality laws help build strong institutional frameworks, public accountability and stakeholder involvement in urban and territorial development, strengthening the role of the public sector in regulating urban development and protecting public goods. Ineffective legal frameworks remain a persistent challenge in recognizing these goals.

D. Metropolitan challenge

30. More than five hundred cities worldwide have exceeded the threshold of 1 million inhabitants.[21] Many of these have physically grown beyond their administrative boundaries (local and sometimes even national) and their economies have become more globalized, attracting flows of goods, capital and migrants from different regions of the world. Some have expanded to megacities, urban corridors or large urban regions. A metropolitan area can be a single conurbation for which planning and distribution of services is functional, or it can be made up of dozens of municipalities with significant disparities and spatial segregation across neighbourhoods. The lack of coordination at the metropolitan scale may create cost-ineffective solutions, especially in terms of coping with spill-over and externalities challenges.

31. The number of metropolitan governance authorities has increased considerably since the 1990s. Metropolitan governance arrangements range from soft inter-municipal cooperation to more structured, integrated, sometimes even elected forms of governance. Most metropolitan governance reforms have triggered intense political debates and controversies. However, barriers to further reform efforts exist, including strong local identities and antagonisms, the vested interests of municipalities and residents, opposition from higher levels of government or constraints related to local public finance systems.[22]

E. Inequality and exclusion

32. Current urbanization processes are reinforcing inequality and exclusion — particularly for women, youth, the elderly, minorities and the urban poor. Social imbalances cause friction and in some cases violence and political instability. It is generally acknowledged that the existing challenges cannot be overcome without proper participation and a far-reaching, active involvement of inhabitants.

[20] Salet and Savini (2015).
[21] United Nations Department of Economic and Social Affairs, Population Division (2014).
[22] Andersson (2015).

Participatory processes still suffer from structural constraints, with an absence of legislation that recognizes civil society organizations, guarantees and promotes participation, and allows access to public information and data to promote informed citizenship organization. There is also a lack of transparency and accountability in public institutions.

33. The challenge of advancing a right to the city approach — based on the recognition of human rights as a cross-cutting dimension of urban policy — is central to strengthening citizen participation and ensuring more equity in urban societies.

F. Weak frameworks for service delivery partnerships

34. With regard to service provision, public partnerships with other actors (private sector, NGOs, community organizations, etc.) can assist with service delivery and other critical aspects of urban development (slums, city expansion, etc.).

35. However, in many regions the legal frameworks dealing with tendering, contracts and oversight are weak or unimplemented and this lack of clarity discourages domestic and foreign business investment.

36. At the same time, public-private partnerships (PPP) have proved complex to undertake (e.g. pre-feasibility studies, strong technical expertise and negotiation capacities). National and local governments often do not have the information and expertise necessary to negotiate on an equal footing with powerful international companies that have extensive experience in different areas of public services delivery.

37. Public institutions, and particularly local governments, also face the challenge of developing partnerships with communities and the informal sector.

G. Insufficient monitoring and evaluation of urban policies

38. Many subnational governments currently have no access to localized data and thus do not have the capacity to take informed decisions and better prioritize local policies. The task of monitoring and evaluating the Sustainable Development Goals and the New Urban Agenda will require the compilation of more disaggregated and localized data, with the support of national statistical offices in collaboration with local governments and stakeholders to ensure the follow-up of public policies.

39. In addition, national Governments do not sufficiently promote the involvement of local governments and stakeholders in the definition, implementation and monitoring of urban and regional policies and plans, while civic society stakeholders lack access to independent mechanisms for the monitoring and evaluation of public policies and projects (e.g. observatories, citizens' or communities' report cards).

H. Rapid technological change

40. The digital age has dramatically changed our societies, the way we live, work and play. New technological developments offer unforeseen possibilities for

businesses, citizens and public actors. Yet public authorities sometimes find it difficult to respond to these new developments. What should be regulated? What should be left to the market? How best to protect common goods?[23]

41. Technological change poses complex and interrelated urban challenges that require city institutions to adapt.[24] The collection, ownership, use and openness of "big data" and networked and real-time information have already led to the establishment of new urban governance processes and structures.[25] Questions surrounding the use of sensors, algorithms, automation, surveillance, and personal data protection and privacy present a continuing challenge for urban governance into the future.

III. Prioritizing policy options: transformative actions for the New Urban Agenda

42. Creating the enabling conditions for developing policies that lead to a dynamic, sustainable and equitable urban future calls for a balanced distribution of power, enabled by legal and financial instruments that take into account the key principles of subsidiarity and proportionality. New urban governance, which is based on the generally accepted principles of good governance, puts the protection of all inhabitants at the core of urban and rural development: it respects human rights, is transparent and accountable, protects marginalized and vulnerable members of society, and promotes citizen participation, youth empowerment and gender equality.[26] Good governance protects and improves the environment; it aims to improve quality of life, safeguard public health, and reduce the environmental impact of all human activities while striving to achieve economic prosperity and employability.

43. Legal frameworks addressing overarching issues relating to the New Urban Agenda are essential to enhance the efficiency of institutional frameworks. Member States are advised to revise and/or develop a comprehensive legal system to underpin all facets of urban management, adapted to different urban realities. Good-quality laws help to build strong institutional frameworks, public accountability and stakeholder involvement in urban and territorial development, strengthening the role of the public sector in regulating urban development and protecting public goods. Legal frameworks need to be both empowering and flexible in order to help cities meet their new challenges.

44. More general enabling conditions for the New Urban Agenda include capacity-building, participation, and the flexibility to adapt to changing sociospatial contexts, new policy-specific needs, environmental changes, and the impact of innovative technologies such as the digital revolution.

[23] See European Urban Knowledge Network (EUKN) (2015).
[24] Margetts and Dunleavy (2013).
[25] Kitchin (2014); Townsend (2014).
[26] Transparency International (2015).

A. Create strong multilevel governance frameworks

45. Effective multilevel governance[27] is the overarching prerequisite for new urban governance and the successful implementation of the New Urban Agenda. Implementing the Sustainable Development Goals is a multilevel challenge.[28] Within multilevel governance systems, national Governments need to facilitate dialogue and collaboration between different levels of government and public institutions, while retaining its sovereign functions. Decentralization, partnerships and participation have already led to some reduction of hierarchy and more fluidity between the levels. Networks, within and across geographical boundaries and governmental levels have become inter-linked; non-governmental actors such as NGOs, civil society organizations, and the private sector are seen as key partners for governments at all levels.[29]

46. A multilevel governance framework, based on regular consultation and partnerships across different levels of government, requires coherent legal frameworks and regulations to avoid overlapping, gaps and the inefficient use of resources. Establishing a clearly defined and reliable financing mechanism is also a critical factor in creating an effective multilevel governance system. For example the European Union Urban Agenda, bringing together member States, the European Commission, local authorities, knowledge institutions and the private sector in thematic partnerships, is an inspiring case of a policy approach based upon shared interests.

47. To be effective, multilevel governance needs to be based on institutional frameworks that can directly address critical problems and challenges in an integrated way rather than relying on fragment policy sectors.[30] This acknowledges that effective integrated governance needs to prioritize the integration of certain geographic scales and sectors over others.[31] Integrated governance is congruent with multilevel governance. It needs to consider two dimensions: (a) vertical coordination between municipalities, metropolitan authorities, regional, state/provincial and national (in some regions, such as the European Union, also supranational); and (b) horizontal coordination between sectoral departments, authorities and governments, as well as non-governmental actors at the same governance level.

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[27] Since the Brundtland report (World Commission on Environment and Development, 1987) sustainable development has been perceived as a policy that balances social, economic and environmental interests. Balancing these sometimes conflicting interests requires an effective multilevel governance structure that offers an institutional framework for decision-making and implementation. Without such a framework, it will not be possible to "make cities and human settlements inclusive, safe, resilient and sustainable" (Sustainable Development Goal 11) and to address today's urgent global challenges. This is acknowledged by several United Nations resolutions and statements. Paragraph 76 of resolution 66/288 of the General Assembly recognizes that "effective governance at the local, subnational, national, regional and global levels representing the voices and interests of all is critical for advancing sustainable development" and paragraph 79 clearly emphasized the need for an "improved and more effective institutional framework for sustainable development which should be guided by the specific functions required and mandates involved" (Rio+20 Declaration, "The future we want").

[28] Meuleman and Niestroy (2015).

[29] Stoker (1998).

[30] 6 et al. (2002).

[31] Rode, P. (2015).

48. Promoting the collaboration between governmental and non-governmental actors (e.g. civil society, the private sector, academia, etc.) requires particular attention.[32] Public-private and public-private-popular partnerships require different forms of cooperation or co-production from those between state actors. Civil society organizations and NGOs should be regarded as key partners of governmental actors. With an adequate legal framework and support, local partnerships with local communities and the private sector can be developed to ensure universal access to basic local services, as well as resilient infrastructures to guarantee human rights and dignity, address social and economic inequalities and environmental challenges.

B. Strengthen decentralization processes

49. City governments, as the level of government closer to urban dwellers, have become increasingly important as a result of decentralization, networking and globalization.[33] The development of an effective decentralization process that recognizes the importance of all levels of governance and clearly delineates the roles, powers and functions of national and subnational governments is necessary to establish an effective multilevel governance framework. The multilevel governance approach outlined above should therefore be based on the principles of respect for local self-government and subsidiarity, in order to ensure that subnational governments take up their full responsibilities in fostering sustainable urban development.[34] In many countries, this requires a better sharing of power and resources between national and subnational institutions/governments.

50. Effective decentralization requires adequate resources — both human and financial — to be channelled to local and regional governments, which need to be accountable to their citizens in the fulfilment of their responsibilities. Local authorities should be vested with the necessary powers to mobilize local resources, with the capacity to manage and collect local taxes and fees, set service tariffs, have access to different financing sources, and experiment with innovative financing models. Within guidelines and rules established by national Governments and the legislature, local governments should also be encouraged to access national borrowing and, where possible, international finance.

51. Local authorities also need to be given autonomy to manage their staff (to decide on hiring, rewarding and firing based on merit and transparency, etc.). The professionalization of local government institutions, based on clear career paths and appropriate remunerations and training for local government employees, is essential. To strengthen transparency and accountability, the legal and institutional framework should improve public control and citizens' access to public data (e.g. through the use of new technologies); and fight against corruption and bribery. An effective, well-enforced regulatory framework (using tendering, contracts, etc.) is also essential to get the best out of private enterprises and expand partnerships for specific projects with communities.

52. Effective decentralization is critical to enhancing national and local urban policies. To improve the institutional framework, national Governments should promote the strong involvement of city and regional authorities in all processes of

[32] Curry (2015).
[33] Ibid.
[34] Evans et al. (2006); Floater et al. (2014); Rydin (2010).

metropolitan and subnational legal or administrative reforms, in the definition of subnational development strategies and particularly in the definition and implementation of national urban and territorial policies.

C. Promote integrated national urban and territorial policies

53. The existence of decentralization and strong national frameworks for urban and territorial policies is also critical for the management of a balanced system of cities and territories. These policies need to be supported by a clear legal and institutional framework, based on the principles of subsidiarity, an adequate intergovernmental allocation of financial resources and the empowerment of citizens. A multilevel governance approach will be strengthened by strong political will, which is needed to define visionary national strategies through a broad consultative process.

54. National frameworks for urban and territorial policies are critical for fostering sustainable urbanization and regional development, ensuring integration across policy silos and better allocation of national resources to subnational governments, coupled with mechanisms to reduce socioeconomic and territorial inequalities between and within regions. Such policies will recognize the importance of all levels of human settlements — rural areas, small towns, intermediate cities[35] and metropolitan areas — in the system of cities and devolve governance mechanisms in such a way that all systems are able to respond appropriately to local realities and challenges, fostering interconnectivity and complementarity and thereby building an integrated system of cities.

55. Habitat III Policy Unit 3 highlights the need for national urban policies to be legitimate, integrated and actionable, monitored effectively and supported by mechanisms that ensure continuity while allowing for necessary adjustments.

D. Reinforce metropolitan governance

56. Responding to new urban challenges requires adjusting the distribution of power to match the reality of where people live and work (functional urban areas),[36] rather than matching policies to administrative boundaries that were, in some cases, drawn up centuries ago. Metropolitan governance mechanisms can offer flexible coordination of policies amid rapidly changing conditions to help address externalities and spillover issues and create synergies to boost metropolitan development.[37] Strategic spatial planning,[38] major infrastructure development and the provision of public services in metropolitan areas call for a concerted effort — for example, the complexity of providing public transport systems that enable millions of trips to be made in a safe and timely manner every day poses serious technical, managerial, political and financial problems that isolated municipalities cannot solve individually.

[35] ESPON (2012); Roberts (2014).
[36] Hamilton, D.K. (2014); van den Berg et al. (1997).
[37] Clark and Moonen (2013).
[38] Salet et al. (2003).

57. There is no one-size-fits-all solution; metropolitan governance models can range from soft partnerships to more institutionalized arrangements (e.g. single- or multisectoral planning agencies, inter-municipal collaboration agreements, elected or non-elected metropolitan supra-municipal structures).[39] Different models could be set up within the same country in order to respond appropriately to the specific needs of different metropolitan regions.

58. Adequate legal tools and related incentives are required in order to foster metropolitan governance and voluntary inter-municipal cooperation. National standards (such as population thresholds) could be established for identifying areas where metropolitan governance is required — taking into account the specific economic, social, environmental and cultural characteristics of different places. In order to be successful, metropolitan governance reforms require "buy-in" from all levels of government — particularly from core and peripheral cities — and they need to be adapted to the different national/regional contexts.[40]

59. Metropolitan governance structures should be given powers that are relevant to metropolitan concerns, together with access to financing mechanisms that deal with externalities and mobilize medium- and long-term investments in big infrastructure projects and metropolitan services. Metropolitan finances should ensure that equalization mechanisms are in place to reduce internal disparities. Partnerships with the private sector and communities can also contribute to improving resource mobilization for service delivery and infrastructures (contracts, lease, concessions, etc.)

60. The emergence of urban regions and corridors — including across national borders — calls for even wider horizontal cooperation to facilitate economic and social development and to respond to environmental challenges. Cross-boundary coordination between national, regional and local authorities is needed to enhance the resilience of rapidly urbanizing areas.

E. Promote a new culture of participation and equity

61. The challenges outlined in section II call for a new "culture of participation" based on an empowered civil society and a buoyant local democracy, characterized by an approach encompassing co-responsibility for urban and local development. New urban governance can contribute to a recalibration of the "interface" between government, the private sector and civil society, thereby "deepening" democratic practices to balance traditional and informal lobbies. The establishment of a new kind of "culture" is one of the most serious challenges for urban governance.

62. An appropriate and efficient legal framework to ensure the responsible participation of citizens in decision-making at different levels is a precondition for boosting civil society participation in urban development on a regular basis. In particular, this concerns the participation of women, youth, informal workers and marginalized groups (e.g. slum dwellers, minorities or immigrants) at the local level.

[39] World Bank Group (2015); OECD (2015b), Ahrend et al. (2014b); Bahl et al. (2013).
[40] OECD (2015a).

63. In addition to national and local legal frameworks, national and local governments should define institutional spaces or mechanisms, set clear and transparent rules, facilitate access to public information (open data) and promote adequate policy support in order to encourage the participation of autonomous civil society organizations in local decision-making processes. New technologies can help keep inhabitants informed and involved.

64. Innovative participation processes have been established and applied in some countries over the past few years (participatory budget and planning, youth councils, etc.). However, as some critics of these processes stress, participatory practices should not result in controlling citizen participation, but rather in fostering autonomous community organization.

65. Civil society should make local and national governments accountable to citizens and communities, building independent mechanisms for the monitoring and evaluation of public policies (e.g. observatories). National and local governments can also promote independent mechanisms to facilitate arbitration where conflicts arise between citizens and public administration (e.g. the local ombudsman).

F. Strengthen capacity-building for urban governance

66. New urban governance requires greater capacity at all levels of governance and for all involved actors. Above all, every local government should be able to set up a well-resourced capacity-building programme, led locally in partnership with civil society and supported both nationally and internationally. Decentralization and devolution should be the focus of specific capacity-building programmes. The extent of decentralization and the legal frameworks that accompany this should be assessed, as well as urban planning and management, the capacity of subnational governments to improve their accounting, auditing and procurement systems and the follow-up capacity of national Governments, etc.

67. This requires a systemic approach and the mobilization of different modalities of education and training — high and middle-level education, technical courses, peer-to-peer learning and technical support — to overcome the gaps that exist in the professional and administrative capacity of many countries to manage urbanization. Innovative strategies targeted at local governments and other institutions that operate at the city level should be developed.[41] This includes the engagement of local government and civil society in a mutual exchange of information and knowledge. The involvement of civil society requires the development of capacity-building programmes to improve the capacity of community leaders and public institutions to engage in dialogue and support a partnership-collaborative approach. Powerful NGOs such as Women in Informal Employment (WIEGO) and Slum Dwellers International (SDI) have been able to pool resources and increase access to information for low-income communities, with tangible positive outcomes.[42]

68. Efforts should also be directed at closing the gap between the realities of academia and that of local government. In addition, there is a need for stronger learning links between local governments and the business sector in order to foster

[41] Meuleman and Niestroy (2015).

[42] Cf. Women in Informal Employment: Globalizing and Organizing (WIEGO) (2015), and Shack/Slum Dwellers International (SDI)) (2015).

richer collaboration between public officers and local stakeholders. In terms of monitoring and evaluation, there is a need to strengthen national and local capacity to access and produce disaggregated data (e.g. through the use of new technologies), as well as developing subnational governments' capacity to monitor urban and territorial data.

G. Enable digital era governance

69. New urban governance will have to be digital era governance.[43] This implies that public interest must be the driving force behind urban innovation and the deployment of information technologies for a new urban governance. Established instruments of e-governance — above all digital access to information — will have to continue being developed in a "citizen centric" way to better facilitate interdepartmental, inter-agency and cross-sector collaboration. In addition, new technological opportunities such as those linked to sensoring, real-time information, predictive analytics, "algorithmic governance", automation and big data need to be explored, tested and potentially scaled further while at the same time considering the risks, technology obsolescence, cost-effectiveness and overall efficiency.

70. Digital era governance should empower civil society. Social media give all actors a platform to voice their concerns, express their interests, organize political pressure and interact with political leaders. E-governance can facilitate democratization and participation, for instance by engaging citizens more directly with the legislative and policymaking processes (by proposing new legislation or by suggesting amendments to existing laws).

71. In an age of digital transformation, the role of governments should be to facilitate, stimulate, offer room for technological and social innovation, remove legal, financial or fiscal obstacles, and bring parties together in a spirit of multi-stakeholder partnership. Still, a critical role for public authorities is to establish the rules of engagement (such as ensuring interoperability, open data and protecting rights), create frameworks to protect the public interest and personal privacy, and offer a long-term vision. This requires governments to be learning organizations, continuously open to change.

IV. Key actors for action: enabling institutions

72. The successful implementation of the New Urban Agenda will only be possible through a sustained collaborative effort between all relevant actors. This includes national, subnational and local governments working closely with civil society and the private sector to ensure clear mandates, mechanisms for cooperation and dialogue, the sharing of best practices, accountability and transparency, effective decentralization, and the promotion of stakeholder participation at all levels. Although each actor has many specific and unique responsibilities, the challenges outlined in section II cannot be addressed in isolation. Even where the basic motivations of actors may differ (e.g. for profit or non-profit), they all share a common interest in articulating and realizing the New Urban Agenda. Identifying

[43] Dunleavy et al. (2005).

these actors and their roles is a key step towards the crucial task of policy design and implementation.

A. Local governments

73. Local governments are pivotal to implementing the New Urban Agenda and consequently decentralization policies should be beneficial to them. Strong and capable local governments are the key levers to ensure inclusive and sustainable urban development,[44] accountable and transparent city management, and a dynamic multi-stakeholder involvement aimed at the protection of human rights and public goods.

74. Local governments should promote and pursue more integrated and participatory approaches to urban and territorial governance, including economic, social and environmental aspects as well as aesthetic and cultural ones. Local governments should enhance accountability and transparency mechanisms, including open access to public documents. They should improve their capacity to manage urban and territorial development (e.g. planning and land management policies), preferably in accordance with a proper code of conduct and through training and peer-to-peer learning. Inter-municipal cooperation should be a priority to promote synergies and ensure economies of scale between local governments. The challenges of local government finance are critical to urban governance and also require specific attention (see policy paper 5 and sections III and V).

75. These integrated approaches require the participation of local stakeholders in key processes (planning, implementation, monitoring) through mechanisms such as participatory planning and budgeting, local consultation, neighbourhood committees, digital democracy, referenda, and monitoring of urban policies. To encourage the participation of civil society, local governments should put mechanisms in place to facilitate and support the autonomous organization of inhabitants based on their freedom of association.

76. Local governments should enter into a broad dialogue with civil society groups. They are the key facilitators for participation processes, responsible for creating an "enabling" environment for all actors. They also have to take on the difficult role of mediating between various pressure and interest groups in the urban development process, thereby making it more inclusive. To do this, local governments will have to acquire new skills for dealing with diverse and contested issues. Moreover, horizontal cooperation between various departments and vertical exchange between different levels of government is a prerequisite for effective local government.

77. Local government associations should be recognized as providers of capacity-building and important vehicles for knowledge-sharing — locally, nationally and internationally.

78. The issue of metropolitan governance requires special consideration due to the wide range of stakeholders required to make it work, including the private sector (which can sometimes advocate for metropolitan governance in order to promote the economic competitiveness and attractiveness of metropolitan areas), professional

[44] Sorensen and Okata (2010).

communities (such as architects, engineers, geographers, sociologists, economists and political scientists), the education and knowledge community (universities and think tanks), labour unions, and many other civil society organizations. All these actors play a role in creating a sense of belonging and ownership.

79. Other intermediate governments (such as provinces, regions or states) can also play a crucial role in the coordination and effectiveness of metropolitan governance. Intermediate levels of government and metropolitan areas are typically competing for responsibilities and financial revenues. Win-win solutions need to be sought and effective cooperation encouraged in order to avoid unproductive competition and duplication of effort.

80. Local governments can, with national Governments, play an additional role in establishing indicators for the monitoring and evaluation of urban policies, creating an accountability framework for the delivery of basic services, and supporting capacity-building programmes at the local level (see paras. 14-15; sect. A; UN-Habitat International Guidelines on Decentralization, 2009).

B. National Governments

81. Although local governments are closest to the inhabitants of cities and have the greatest potential impact in shaping the urban agenda, national governments are best positioned to promote and ensure effective decentralization and stakeholder participation at all governmental levels. National Governments should recognize the importance of capacity-building at the local level and partner with local governments to ensure successful implementation of the New Urban Agenda.

82. Tensions between different spheres of government in the urban governance realm are inevitable but they are exacerbated by a lack of clear roles and responsibilities. It is therefore essential that national Governments clearly define what these roles and responsibilities are for each key actor and that they grant a high degree of autonomy to local governments in the application of the roles and responsibilities transferred or assigned to them.

83. National Governments are responsible for establishing the legal and institutional frameworks for national urban and territorial policies (see policy paper 3 on national urban policy). In this regard, national authorities should create and promote appropriate mechanisms for dialogue and coordination between different levels of government, with the strong involvement of local governments in the definition, implementation and monitoring of urban and regional policies and plans. For example, national Governments could create national urban forums,[45] think tanks or legislative processes to discuss urban issues of national relevance with all stakeholders.

84. National Governments should promote openness and transparency as well as accountability and responsibility in all spheres of government. They should strengthen national systems (e.g. audit offices and procurement systems) and independent legal mechanisms for the administrative resolution of conflicts. Furthermore, they should ensure the collection of localized data — with the help of

[45] National urban forums, in various forms and roles but mostly facilitated by the national Government, have been actively implemented in Brazil and are emerging in some Asian countries.

national statistical offices in collaboration with local governments and local stakeholders — to facilitate the monitoring and evaluation of national and subnational urban development policies.

85. Where relevant, national Governments should support and facilitate cross-border cooperation, thus recognizing the significant economic and social benefits arising from greater coordination between continuous urban areas, while also supporting cross-border and supranational cooperation between cities and regions. In addition, national Governments should facilitate greater cooperation and exchange between urban areas within their territory.

C. Judiciary and legislative branches

86. The legislature is important at all levels when setting out rules and regulations to enable the New Urban Agenda. The legislature also has an important role when it comes to the application of policies, treaties and agendas, for example "The Brundtland Report on Our Common Future", "The COP21 Agenda on Climate Action" and the New Urban Agenda, which are put forward and ratified in supranational contexts but require legal enforcement at the national level.

87. The judiciary plays a key role in interpreting and defining the scope of principles, values and rights and can therefore play a strategic role in promoting and encouraging the New Urban Agenda. The judiciary has the vital task of ensuring the "right of individuals and civil society organizations to take legal action on behalf of affected communities or groups that do not have the resources or skills to take such action themselves" and have "access to effective judicial and administrative channels for affected individuals and groups so that they can challenge or seek redress from decisions and actions that are socially and environmentally harmful or violate human rights", as outlined in the 1996 Istanbul Declaration.

D. Supranational governments and intergovernmental cooperation

88. Supranational institutions can play an important role in defining and endorsing global guidelines for good urban governance. The European Union Lille Agenda, for example, has promoted "greater recognition of the role of towns and cities in spatial planning", and further developed work on urban indicators which began with the European Union Urban Audit.[46]

89. However, other intergovernmental forums, including regional and subregional organizations (e.g. ASEAN, MERCOSUR, the African Union and subregional organizations in Africa), must also be acknowledged as important enabling actors. Such organizations should encourage cross-border inter-municipal cooperation and commitments, for example the 2015 Makassar Declaration on ASEAN Cities and Local Governments, produced by mayors from ASEAN member States. They could also produce guidelines and share good practices on urban governance among their members.[47]

[46] Parkinson (2005), p. 15.
[47] Transparency International (2015).

E. Civil society

90. Civil society is a social sphere separate from both the State and the market, encompassing a wide range of non-governmental and not-for-profit organizations that have a presence in public life and that express the interests and values of their members (or others) based on ethical, cultural, political, scientific, religious or philanthropic considerations. Civil society organizations include non-profits (local, national, global), community organizations, charities, trade unions, faith-based organizations, indigenous groups and social movements.

91. Civil society organizations are important actors in the articulation and implementation of the New Urban Agenda; they facilitate and enable the active involvement of all inhabitants. This includes women, youth and the elderly, indigenous communities, migrants and refugees, ethnic and religious minorities, lesbian, gay, bisexual and transgender communities and other vulnerable, disadvantaged or marginalized communities. Such groups and individuals are not always able to exercise their agency through civil society organizations (such as NGOs), the private sector, or formal political channels.

92. It is therefore important to reinforce the Istanbul Declaration statement that "sustainable human settlements development requires the active engagement of civil society organizations, as well as the broad-based participation of all people".

93. A functioning relationship between government institutions and civil society requires mediators and facilitators. Some NGOs and those in academia have assumed this role in diverse capacities, entering into long-term alliances with civil society groups, while others are offering specific services and play a catalytic role in introducing and refining new initiatives (such as community-based slum surveys or monitoring systems) in close collaboration with community organizations.

F. Education and knowledge institutions

94. Education and research about urban issues could play a more active role at the local level in the dissemination and promotion of knowledge to civil society and to local governments.

95. Primary schools, secondary schools and high schools could play an important role in teaching and training children and young people about basic urban principles and issues and what it takes to be an active democratic citizen in a city, taking part in local decision-making processes. In the long run this would strengthen capacity-building and participation at the local level.

96. Academia not only adds systemic knowledge to ongoing projects and urbanization processes but, with the involvement of students, it has the potential to bridge the gap between different types of knowledge and between theory and practice. Students can provide planning and design services in a participative and collaborative way.

97. Closing the gap between academia and local government realities will require stronger links and interaction between the two, together with open dialogue. Universities can take the lead in knowledge generation and updating curricula to be more relevant and responsive to local policy priorities. While it is highly recommended that local governments make research-informed decisions, the

academic community should also make an effort to disseminate and promote the findings of its research to policymaking bodies.

G. Private sector

98. The private sector is going to play an important role in implementing the New Urban Agenda.[48]

99. This sector includes individual, for-profit and commercial enterprises or businesses (developers, contractors), manufacturers and service providers, business associations and coalitions, and corporate philanthropic foundations. Paragraph 238 (b) of the Istanbul Declaration highlights the importance of "encouraging business enterprises to pursue investment and other policies, including non-commercial activities that will contribute to human settlements development, especially in relation to the generation of work opportunities, basic services, access to productive resources and construction of infrastructures". This principle should also underpin the New Urban Agenda, while the potential for businesses of all sizes to both contribute to service delivery and promote innovation must be fostered.

100. The private sector can, for example, take an active role in urban development through public-private partnerships and public-private-popular partnerships. National and local governments should, where appropriate, develop legal and institutional frameworks and gather the knowledge to enable and regulate such complex partnerships, ensuring the public interest is protected in the long run.[49] Governmental actors should also support the active participation of local stakeholders in implementation, emphasizing co-responsibility, co-ownership and co-creation.

101. While the traditional role of the private sector is to create jobs, wealth and profit, it should increasingly ensure "social corporate responsibilities" by working with a triple bottom line: the financial, the environmental and the social seen as equally important for long-term success. This is consistent with the 10 principles of the United Nations Global Compact and paragraph 43 (m) of the Istanbul Declaration, which emphasizes "an expanded concept of the 'balance sheet'".

102. Corporate philanthropic organizations will also play an important role in the New Urban Agenda, by promoting innovative practices, providing valuable financial support, and facilitating the transfer of knowledge about successful models of urban development.

H. Financial institutions and international development agencies

103. Financial institutions such as pension funds, banks, insurance companies and sovereign wealth funds play a special role in allocating capital according to different needs. They should, at the global, national and regional levels, work with national and local governments in a responsible and accountable way, based on a transparent code of conduct (e.g. UNPRI — Principles of Responsible Investments). When investing in local projects, they should work in partnership with locai

[48] United Nations (2009).
[49] Da Cruz and Marques (2012).

government and other local stakeholders on project design and implementation, in line with the commitment in the Addis Ababa Action Agenda to "better align[ing] private sector incentives with public goals, including incentivizing the private sector to adopt sustainable practices, and foster long-term quality investment".

104. Similarly, international development agencies should channel funds to basic urban services and infrastructures and provide funding for training and ongoing capacity-building at the local level. They should, as outlined in the Addis Ababa Action Agenda, "support cities and local authorities of developing countries, particularly in least developed countries and small island developing States, in implementing resilient and environmentally sound infrastructure, including energy, transport, water and sanitation, and sustainable and resilient buildings using local materials".

V. Policy design, implementation and monitoring

105. As outlined in previous sections, the development of a new urban governance that responds to the increasing complexities and uncertainties of our societies requires important shifts at different levels. A new culture of cooperation between institutions and the participation of civil society calls for the building of an effective multilevel governance system, supported by decentralized institutions and national urban and territorial policies; governance adapted to metropolitan areas; a buoyant and engaged civil society; and capacity-building programmes.

106. National authorities should:

Create strong multilevel governance frameworks

(a) Create and promote appropriate mechanisms for regular dialogue and coordination between different levels of government, to involve subnational governments in the definition and implementation of key policies and all other matters that concern them directly, e.g. decentralization, subnational administration boundaries, urban and territorial policies;

(b) Implement these mechanisms at national and regional levels (e.g. through national or regional governments' councils, forums, consultation committees) to strengthen the cooperation between public institutions. This will be critical for the implementation of the New Urban Agenda and the Sustainable Development Goals, which were designed as a multilevel and multisectoral undertaking, with the aim of facilitating the localization of goals and targets;

(c) Carry out an assessment of the main institutions, processes and regulations that involve urban and territorial development policies in order to identify institutional overlaps and gaps, contradictory legislation and regulations and planning and budget execution backlogs;

(d) Engage in a progressive revision of national, regional and local government legislation and regulations in a collaborative way, to promote a more coherent and inclusive multilevel governance system, combining bottom-up and top-down approaches to foster integrated national urban and territorial policies;

Strengthen decentralization processes

(e) Regular review of national and local government legislation and rules to ensure that subnational governments are adequately empowered to support an effective decentralization process, based on the principle of subsidiarity and respect for local self-government. Incremental and adaptive legal and institutional reforms should promote effective decentralization based on the recognition of legally autonomous subnational governments, elected through universal suffrage and endowed with clear devolved powers, responsibilities and resources defined in national laws and, where practicable, in the Constitution;

(f) Ensure that empowered local governments are entitled to adequate financial resources, sufficiently diversified and commensurate with the devolved responsibilities provided by law, so that they are responsible for, and accountable to, the citizens that have elected them. A significant proportion of the financial resources of local authorities should derive from local taxes, fees and charges to cover at least part of the costs of the services they need to provide. However some resource will involve transfers (grants, subventions) from other levels of government in order to top up local budgets. To avoid leaving any territory or city behind, equalization mechanisms should guarantee that all territories and cities have the means to guarantee basic services for their inhabitants. National policies should facilitate adequate access to responsible and transparent borrowing so that subnational governments can invest in essential and resilient infrastructures and services (for more details on financial reforms see paper by Policy Unit 5);

(g) Acknowledge that local authorities should be allowed to determine their own administrative structures in order to adapt to local needs, and have the autonomy to manage their staff based on merit and transparent policies that avoid clientelism. This may require capacity-building in order to foster the professionalization of local government employees;

(h) Strengthen the capacity of subnational governments, as well as the follow-up capacity of national Government, to guarantee transparency and accountability (e.g. good accounting, auditing and procurement systems). It is also necessary to improve access to public information and data (e.g. open data) and define mechanisms to fight against corruption and bribery (codes of conduct, declaration of interests and assets, anti-corruption enforcement mechanisms, etc.);

(i) Encourage appropriate regulatory frameworks and support local governments in partnering with the private sector and communities to develop basic services and infrastructures. The use of new technologies should be promoted to improve city management as well as accountability and transparency, mindful of the protection of public goods and of specific constraints in terms of access to digital information and local habits;

Promote integrated national urban and territorial policies[50]

(j) Develop or strengthen national urban and territorial policies as a critical pillar for multilevel urban governance, with the aim of promoting more balanced and sustainable regional development;

[50] See also paper by Policy Unit 3.

(k) Develop or improve national urban and territorial policies to build a framework for stronger coordination between national and local governments and key stakeholders. Policies should be developed through a broader consultation process to create ownership among different parties;

(l) At the national level, strengthen the capacities and the coordination among sectoral ministries and national institutions dealing with urban and territorial policies (e.g. through a ministry or a coordination office at ministerial level for urban development) to avoid segmented urban policies and promote integrated approaches;

(m) At the regional level, promote and facilitate the collaboration and complementarities between metropolitan areas, intermediary cities and small towns with their hinterlands to build a strong "system of cities" and foster urban-rural partnerships;

(n) Ensure that national and territorial policies recognize and support the role of intermediary cities as nodes for regional development in order to drive a more balanced urban and territorial development;

(o) Foster cooperation between nearby local governments (horizontal cooperation) and particularly between small towns, by considering a legal framework which would allow and encourage associations of municipalities to deliver joint plans and services, with the aim of achieving economies of scale and efficient use of resources. Special attention should be given to regions with specific characteristics (e.g. delta regions) and cities that are part of clusters and urban corridors, in order to take advantage of new economic opportunities for planning, access to infrastructures and public services, comprehensive environmental protection, etc.;

(p) Consider cross-border cooperation to improve the management of emergent urban areas, regions and corridors across national borders. This involves the development of bilateral cooperation agreements and of regional integration mechanisms (e.g. the European Union, Singapore-Batam-Johor in the ASEAN region and the cooperation of cities in MERCOSUR).

(q) Ensure that national and territorial policies safeguard against environmental degradation and damage at all levels of government;

(r) With regard to Sustainable Development Goal target 1.4, improve the management of informal settlements and ensure that land regulatory frameworks and planning provide for the implementation of the "continuum of land rights", recognizing a plurality of tenure types within the local context. Governments at all levels should recognize and record people-to-land relationships in all its forms, embrace diversity and complexity in the land sector and implement fit-for-purpose solutions towards increasing tenure security for all urban inhabitants;

Reinforce metropolitan governance

(s) Consider the creation of metropolitan governance structures, facilitated by adequate institutional arrangements or law reforms or incentives to foster voluntary inter-municipal cooperation at the metropolitan scale. To this end, national Governments, in consultation with local authorities, are advised to establish

national standards (such as population thresholds) for identifying metropolitan areas;

(t) Establish metropolitan level accounts which bring together data aggregated from different existing sources, but also include dedicated new data that captures the metropolitan dimension. Key data should cover metropolitan spatial development, economic development, housing, transport and environmental performance;[51]

(u) Endow metropolitan governments with their own powers and responsibilities, with a clear division of tasks between metropolitan government and other levels of government to avoid competing responsibilities. Key sectoral policies to be addressed at the metropolitan scale might include spatial planning and land use, transport infrastructure and key services (water, waste), environmental protection, economic development, housing, risk prevention, etc. To avoid competition for responsibilities and financial resources effective cooperative mechanisms need to be pursued, particularly with municipalities and other intermediate levels of government (for example regions, states or provinces);

(v) Establish clearly defined and reliable financing mechanisms to empower metropolitan governance, but avoid competition between municipalities and other intermediate levels of government. Metropolitan authorities must be provided with increased fiscal competences to mobilize the potential wealth generated within their territories, be they economic or property gains (including land-added value) and intra-metropolitan equalization mechanisms;

(w) Consider specific metropolitan funds, raised by local taxes and transfers from municipalities and other levels of government (including central Government), to deal with externalities (spillovers) and that could act as levers to mobilize medium- and long-term investments. This will improve metropolitan creditworthiness and allow them to access national and international financing, both public and private, in order to invest in the development of major infrastructures and services;

Promote a new culture of participation and equity

(x) At the national level, create or advance the development of an effective regulatory framework to foster participation by local governments. It should be drafted by a comprehensive and inclusive platform of individuals and organizations, taking into account local context, culture and practices. It should address issues such as participation, operational mechanisms, monitoring instruments, financial provision and when participation processes are to be applied;

(y) Promote open-mindedness on the part of local leaders towards disadvantaged groups and a readiness to enter into dialogue. This can be increased through transparency, accountability and comprehensive communication strategies such as, but not limited to, access to public documents, open-data policies, public hearings and public discussions of important projects in their early stages. The latter is of particular importance in projects where conflicting interests are anticipated;

(z) Ensure that the existence of autonomous civil society movements and organizations is acknowledged and supported by local authorities and higher levels

[51] OECD (2012).

of government. This can be achieved through mechanisms such as the allocation of a percentage of the local budget to civil society movements, support in kind, the provision of space and equipment, access to the media and other enabling means;

(aa) Encourage experimentation with innovative direct participatory processes such as participatory budgeting, co-production of services with civil society organizations, and community-based monitoring;

(bb) Participation should take advantage of digital technologies and social media for information, data collection, communication and coordination of various activities;

(cc) Engage civil society organizations, NGOs and academia in monitoring and evaluating public policies and projects, e.g. through observatories, citizens or communities' report cards;

(dd) Develop independent mechanisms to defend the position of inhabitants with respect to local authorities and private companies, particularly for slums and informal settlements. Encourage women to participate in public discourses, administration and decision-making for urban development through incentives, campaigns, training and increased public recognition;

Strengthen capacity-building for urban governance: capacity-building must accompany governance reforms to ensure that the changes are sustainable and implementation is successful

(ee) Create a system-wide capacity-building alliance that allows for structural dialogue between national and local governments and like-minded partners (academia, NGOs), existing local government and civil society networks and, where appropriate, international cooperation;

(ff) Promote awareness-raising initiatives to demonstrate the added value of capacity-building and links between capacity-building and wider policy outcomes. Strategies and programmes for capacity-building must be rooted in the local context. Sectoral approaches to traditional training need to evolve into more integrated approaches that break down silos and allow for strategic, system-wide thinking. Capacity-building strategies should encourage experimentation and innovation;

(gg) National and local governments should set up well-resourced capacity-building programmes to train their officers and employees to improve the quality of urban management and support a collaborative and integrated governance approach;

(hh) Training programmes and government initiatives should be specifically geared towards strengthening the skills and abilities of the most marginalized and vulnerable groups in society to enable these communities to overcome the causes of their vulnerability and exclusion;

(ii) They should also set up specific training programmes that address civil society participation needs in order to improve the capacity of community leaders and public institutions to engage in dialogue and support a collaborative partnership approach. Local government associations need to be recognized [by law] as providers of capacity-building and important instruments for knowledge-sharing;

(jj) As a precondition to such efforts, it is essential to ensure that the careers of civil servants are rewarded: financial and reputational recognition will be essential. International development initiatives should always include funding for training and ongoing capacity-building at the local level to ensure the sustainability of any such programme;[52]

(kk) Any such programmes should build on and expand cooperation between cities, local governments and civil society both North-South and South-South that, with adequate support, could contribute to capacity-building programmes and support peer-to-peer learning to enhance the role of public officers (elected and non-elected) in urban and territorial development and in facilitating local stakeholder participation;

Monitoring and data

(ll) Establish regular monitoring systems of urban and territorial policies at national and local levels, with multi-stakeholder involvement and agreed quantitative and qualitative indicators. The monitoring systems will benefit from the gathering and availability of comparable statistical data and information;

(mm) Governments at all levels to contribute to the availability of high-quality, timely and reliable data, disaggregated by income, gender, age, race, ethnicity, migratory status and disability, with geographic location and characteristics relevant in national contexts;

(nn) Make use of many of the targets and indicators developed for the 2030 Agenda (Sustainable Development Goals), particularly Goals 11 and 16, which could contribute to building a set of basic indicators for urban governance. In addition, a broader base of indicators needs to be defined, so that each country can adapt them to their particular context or interest. The set of indicators should evolve and be dynamic;

(oo) Create reporting mechanisms that form part of a "national observatory of urban and territorial polices", with a joint steering committee with representatives from national and local governments, academia, civil society, the business sector, to develop a national reporting system supported by regular reporting at the city level, peer-to-peer reviews, citizen satisfaction surveys or report cards and community-based monitoring;

(pp) Establish effective evaluation mechanisms that can be used as a capacity-building tool by including all relevant actors, who collectively reflect and review their own practices and enrich their plans and actions through a formative evaluation;

(qq) Ensure the successful development and implementation of a citizen-centric digital era governance that continuously taps into technological innovations. This will require strong political will, collaborative leadership and new institutional

[52] E.g. as articulated in the Addis Ababa Action Agenda, "support cities and local authorities of developing countries, particularly in least developed countries and small island developing States, in implementing resilient and environmentally sound infrastructure, including energy, transport, water and sanitation, and sustainable and resilient buildings using local materials".

frameworks, "including a national ICT policy and e-government strategy, as well as strengthening institutions and building the capacities of public servants";[53]

(rr) Develop and establish standards for open data, compatibility, collaboration and interoperability;

(ss) Ensure a commitment to transparent, accountable, responsive, inclusive and collaborative urban governance, backed up by adequate human capital and a "made to measure" robust ICT infrastructure. Public authorities should take ownership of the requirements on the design, use and monitoring of ICT governance tools.

VI. Conclusion

107. Appropriate urban governance and institutional frameworks hold the key to the success of the New Urban Agenda. Successful urban governance will need to be democratic and inclusive, it should have the long-term in mind but be flexible and able to adapt quickly. It should be multiscale and multilevel, able to adapt to changes by being innovative, forward thinking, open to new ideas and responsive to the rapid transformations of urban landscapes (e.g. metropolization, peri-urbanization and rapid urban growth in developing countries). Successful urban governance also needs to respond flexibly to changes in urban economic and social structures (e.g. new pressures posed by an ever-changing digital age, increasingly virtual and delocalized economies, social fragmentation and gentrification, ageing populations and youth bulges) and, last but not least, to global uncertainties (uneven economic growth, financial and economic crises, the impact of climate change and natural disasters, etc.).

108. New urban governance needs to respond clearly to the new demands of citizens to address the right to the city by creating enabling legal and institutional frameworks at different governmental levels.

109. New urban governance will increasingly be the result of complex and intricate multilevel and multi-stakeholder governance systems, based on interactions between different levels of government and between citizens and a wide range of non-governmental actors, including the private sector.

110. At the national level, a robust multilevel governance system will have (a) strong national policies for urban and territorial development, (b) effective decentralization processes, as well as (c) transparent and accountable institutions supported by good, coherent and enforceable legal frameworks.

111. At the city level, strong and capable local governments are the key levers to ensure inclusive and sustainable urban governance and accountable and transparent city management, with a vibrant multi-stakeholder involvement to achieve equal rights and opportunities for all. It is at the city level that the right to the city should be recognized as a cross-cutting policy approach.

112. The first pillar of multilevel governance is a national urban and territorial policy that promotes a strong system of cities and balanced territorial development. The inclusiveness, openness and consensus building that form part of the process of

[53] United Nations (2014), p. 12.

defining these policies will be as crucial as the outputs. It will be the foundation for a more cooperative and coherent working framework between different levels of government and key stakeholders. This process will promote a paradigm shift, combining bottom-up and top-down approaches, with the aim of building synergies and complementarities between metropolitan areas, intermediary cities and small towns.

113. The second key pillar of multilevel governance is the empowerment of local governments through the sharing of powers, capabilities and resources. Models of urban governance for the twenty-first century should include strong recognized local governments with greater authority and more professional staff, promoting a more holistic and integrated approach to urban development. Inter-municipal cooperation, including between urban and rural municipalities, should be facilitated through incentives to create economies of scale and integration. Local authorities should also be responsible for the active involvement of local stakeholders, including the most vulnerable, in local decision-making.

114. In a majority of countries, big urban agglomerations are the engines of national development. Metropolitan governance systems should be adapted to individual contexts and endowed with appropriate powers and resources. The governance of new urban forms — for example megacities, urban regions and corridors — will be one of the biggest challenges.

115. In spite of the shape and size of urban governments, access to adequate financing needs to be addressed. Adequate local fiscal competences and capacities are necessary to allow local governments to mobilize the potential wealth generated within their territories to finance the city. As part of the multilevel arrangements and decentralization process, central Governments must also ensure (through shared taxes and transfers) that equalizing mechanisms are in place for a balanced redistribution of national resources among the territories. They should support the access of local governments to borrowing to invest in infrastructures that will shape the urban future and ensure national development. Adequate regulatory frameworks and technical support can promote co-responsibility and co-production of services and infrastructures between local governments, the private sector and communities through innovative partnerships. New technologies could be important levers to change urban management and facilitate participation. In all these cases, public authorities should be mindful of the need to guarantee universal access to public services and the protection of the commons (public space, water, air and the environment).

116. The third pillar of a fair, multilevel governance system is an empowered civil society that is well organized and respected, with the capacity to be an active and demanding partner in public institutions. An effective regulatory framework to foster participation should be developed at the national level and adopted by local governments for their daily practice. The existence of autonomous civil society movements and the private sector should be acknowledged and supported by local authorities and higher levels of government through, for example, funding or other means. Involvement in decision-making of women, youth, the urban poor, minorities and disadvantaged groups should be increased through transparency, accountability and comprehensive communication strategies.

117. Innovative, meaningful, transparent and accountable interfaces between governments, civil society and the private sector need to be developed further.

Co-production of services with civil society organizations should be encouraged to create new alternatives, particularly for the most marginalized areas that may face difficulties being served by traditional systems.

118. The New Urban Agenda will require a broad process of capacity-building, involving national and local governments, civil society and the private sector. National institutions and local government should set up well-resourced capacity-building programmes to support the transformative process of training public employees, as well as local leaders from civil society organizations. A system-wide capacity-building alliance between national and local governments, like-minded partners (for example academia and NGOs) as well as civil society networks and international organizations, will be crucial for fostering capacity-building.

119. Multi-stakeholder monitoring systems of urban and territorial policies at the national and local levels can only be built if there is agreement on the definition of indicators and reliable disaggregated data are gathered.

120. In times of uncertainty and change, only a new urban governance based on the values and practices discussed in this paper can help "make cities and human settlements inclusive, safe, resilient and sustainable".

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